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DEPT FOR WHA/AND, WHA/PPC, AND EB; USDOL FOR ILAB:C.  
ROMERO; USTR FOR L. KARESH AND V. LOPEZ

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SUBJECT: MINISTER OF LABOR SEEKS REFORM THROUGH CONSTITUENT  
ASSEMBLY

11. (SBU) Summary: In a cordial initial meeting with the Ambassador on February 13, Minister of Labor and Employment Antonio Gagliardo said the Correa administration was committed to labor reform in or after the proposed national constituent assembly, versus the Congress. The Ambassador encouraged the GOE to pursue balanced reform to close gaps in worker protections while enhancing Ecuadorian competitiveness and economic growth. The Minister pledged to involve both management and organized labor in dialogue and expressed hope that reforms acceptable to both would be possible. His priorities include continued improvements in combating child labor and restricting abuses of worker rights by subcontractors. Gagliardo expressed appreciation for ongoing USG labor-related assistance described by the Ambassador. End Summary.

12. (U) Gagliardo was joined by Vice Minister for Work and Employment Tito Palma Caicedo and Chief of Operations Carmen Perria; the Ambassador was accompanied by LabOff (notetaker).

#### Labor Cooperation to Continue -----

13. (SBU) The Minister opened the discussion by expressing hope that the Ministry's excellent relations with the Embassy would continue. The Ambassador reciprocated the sentiment, expressing USG interest in balanced labor reforms to strengthen worker rights protections and enhance Ecuador's competitiveness and economic growth. The Ambassador described for the minister various labor-related programs supported by the USG (over \$10 million over five years) and provided the Minister a summary of our activities. The Minister expressed GOE appreciation for continuing USG support, which was sorely needed by a government with limited resources.

#### Assembly First, Then Labor Reform -----

14. (SBU) The Ambassador told the minister that with USG support, an ILO consultant had drafted reforms in 2006 to the labor code which were not introduced to Congress by the Palacio government. She asked what the new government planned to do to pursue reform. Gagliardo responded that the Government considered implementing its proposed national constituent assembly to rewrite the constitution to be its

top priority. Labor reform could be addressed in the new constitution itself, or perhaps through a labor code revision afterwards. He planned to engage in dialogue with both labor and management in the National Labor Council to develop a list of shared objectives for the Assembly to pursue. The Ambassador encouraged tripartite dialogue and compromise as essential to progress.

#### GOE Priorities: Subcontracting and Child Labor

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¶5. (SBU) Asked what reforms he hoped would come out of the Assembly, Gagliardo said the government's top priorities include limiting the practice of subcontracting. This practice is often abused to avoid paying benefits mandated to permanent employees, including profit-sharing; it also permits employers to fire workers at will, undermining labor stability. Gagliardo gave specific examples of firms that hire one permanent employee and subcontract the rest, blatantly attempting to circumvent the labor code. Gagliardo agreed with the Ambassador that in certain cases hiring third-party workers is necessary and useful. Until new labor reforms are effected, Gagliardo said, his top priority would be to enforce current labor laws restricting subcontracting.

¶6. (SBU) Minister Gagliardo said that combating child labor, "a critical social problem," was another top priority for his ministry. He expressed confidence in his ministry child labor team, saying he had charged them to make progress addressing the problem, and again expressed appreciation for past and continuing USG support in this area. He passionately argued that more emphasis needs to be placed on urban child labor as a means to get kids "off of the city streets."

#### Bio Notes

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¶7. (SBU) Gagliardo comes to his current position with more governmental experience than most of his cabinet colleagues. He represented Guayas province in the Congress (for the Democratic Left party), serving as vice president of the Congressional Commission for Labor and Employment, and also served briefly from 1991-1992 as Minister of Social Welfare in the administration of President Rodrigo Borja. Gagliardo was a public critic of a free trade agreement with the United States, and is reputed to be a social acquaintance of Venezuelan President Chavez. In this meeting, he evinced no ill will toward the United States. Rather, Gagliardo seemed to relish the opportunity to discuss a range of aspects of life in Ecuador (including the importance of improving the tourism sector) with the Ambassador.

#### Comment

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¶8. (SBU) Gagliardo seemed genuinely interested in ongoing dialogue with the Embassy on labor issues, and we are encouraged by his commitment to pursue dialogue with both management and labor. Nevertheless, Gagliardo was vague about what specific reforms he would pursue, beyond subcontracting reforms which Correa promised during the presidential campaign. His intention to focus on enforcing existing labor laws pending any new reforms conveyed a judiciousness lacking in his impatient president and some of his fellow cabinet members. Over time, we hope to encourage Gagliardo to broaden his reform agenda to address the worker rights gaps identified by the ILO. His marching orders are clearly to hold off on seeking reform until after the Constitutional Assembly is established. Our labor contacts share the view that prospects are limited for labor reforms in this Congress, where key labor committee posts are controlled by conservatives. However, by choosing to go around Congress, labor reform becomes dependent on a successful outcome of the Assembly process, which under the most optimistic scenarios would not culminate until 2008, at the earliest.

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